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SUBJECT: FAR EASTERN INTERNATIONAL ECONOMIC FORUM BLAMED U.S. FOR
PRESENT, LOOKS FORWARD TO FUTURE

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¶1. (SBU) Summary: Over 500 people from 13 countries and 16 Russian regions attended the Fourth Far Eastern International Economic Forum. Few high-ranking GOR officials attended. The low turnout was blamed on the financial crisis. Much of the forum, entitled, "Russian Far East Development Strategy: Anti-Recession Guidelines and New Approaches," was devoted to the bright future for the RFE regions in 15-20 years. During the forum, the U.S. was blamed for starting the world financial crisis. While many participants said they heard few new ideas at the forum, they were nevertheless optimistic for the regions economic prospects. The Khabarovsk Governor offered to postpone planned export tariffs on timber products. The Governor of Amur Region said his region was increasing its gold production and moving forward with plans for the Vostochniy Cosmodrome. New markets for Siberian coal in Asia, as well as the damage to the coal industry caused by the unpredictability of energy prices were discussed. Transportation infrastructure improvements and Russia's prospects after the financial crisis ended were also discussed. Chinese officials urged more cross border investment and derided corrupt customs officials. One lone protestor was briefly present at the forum. End summary.

Economic Crisis Reduces Attendance

¶2. (U) Khabarovsk hosted the Fourth Far Eastern International Economic Forum on September 8-9. Approximately 546 participants from 13 countries and 16 of Russia's regions attended the forum.

About a quarter of the guests were foreigners. Overall, this is a decrease from the more than 700 participants who attended in 2008. Many observers blamed the poor attendance on the financial crisis. The highest-ranking GOR officials were Deputy Ministers and Deputy Chairmen of the State Duma, although both Medvedev and Putin issued statements of support.

U.S. To Blame For the World's Woes

¶3. (U) While speakers at last year's forum blamed the U.S. for the conflict in Georgia, this year Aleksandr Nekipelov, Vice-president of the Russian Academy of Sciences, blamed the U.S. for the world financial crisis. During his 20-minute speech he discussed the history of the world financial crisis, arguing "the roots of the economic crisis are in the U.S. mortgage crisis."

¶4. (U) Nekipelov traced the history of the financial crisis in Russia, arguing that the fall of 2008 was the most difficult

time for the Russian economy due to the dramatic decline of oil prices. The Russian government, he said, did its best to stabilize the banking sector and continue paying benefits to the unemployed and retired.

15. (U) Nekipelov posited that Russia's ability to counteract the financial crisis was underestimated. The ruble's further devaluation was a risk, as a long term devaluation would likely result in a capital outflow from Russia. He argued the Russian economy should be modernized or many economic sectors will be ruined completely. Nekipelov suggested a moratorium for capital outflow and other serious changes in Russian policy may be required. Russia, he said, needed to innovate its economy or it would continue to rely on the extraction of natural resources.

Export Tariffs Postponed

16. (U) Khabarovsk Governor Vyacheslav Shport offered to postpone export tariffs on timber, originally planned to take effect in 2010, for three years for companies involved in timber processing projects. Shport emphasized that this measure will stimulate timber processing and increase the stability of the timber products' regional markets. He also said it was necessary to coordinate export policy affecting regional timber companies if effective trade and revenue increases were to be achieved. Some conference participants pointed out that this was "too little, too late," as the threat of export tariffs had already forced many companies to go bankrupt.

Space Is the Place

17. (U) Amur Governor Oleg Kozhemyako discussed the bright perspectives for his region's gold mining, agriculture, and energy sectors, as well as plans for space launch facilities.

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Currently Amur Region is the fourth largest producer of gold in Russia, producing 18 tons of gold in 2008. He forecasted Amur Region would produce 20 tons of gold in 2009 and over 25 tons by 2012. This would make Amur Region Russia's third largest producer of gold. He also gave a progress report on the proposed Vostochniy Cosmodrome, saying 18 Russian regions have expressed their interest to take part in site construction and infrastructure development.

High Interest Rates Damaging Coal Industry

18. (U) General Director of Siberian Coal and Energy Company (SUEK) Vladimir Rashevskiy complained that high interests charged by banks were an obstacle for the industry's development. He complained that prices for energy usage charged by the Federal Energy Commission were not "predictable and balanced." Rashevskiy also mentioned that SUEK has turned to Asia to find new markets, as the European market for Siberian coal has dwindled. Because SUEK can ship coal to Asia only via rail, the unpredictability of rail shipping prices was also a problem, he said.

Transportation Infrastructure to Be Improved

19. (U) Deputy Transport Minister Nikolay Lyamov said the GOR would complete construction of a new line of the Transiberian Railroad from Berkakit to Yakutia, as well as a new highway from Yakutsk to Magadan before 2015. From 2016 to 2030 a new railroad from Yakutsk to Magadan, and from there to Chukotka as well as Kamchatka, would be constructed as well. Head of the Russian Far East Railroad Department Mikhail Zaichenko added that all railroad infrastructure problems would be solved by

¶2016.

Chinese Offer Greater Cooperation

¶10. (U) Le Zhanshu, Governor of the Chinese province of Heilongjiang, said he wanted to see a broadening of investment cooperation, especially in road and rail construction in the Russian Far East. He also called for border trading centers and more cooperation in various forest projects. He also argued "grey (i.e. corrupt) customs clearance" processes were hurting cross-border trade.

Post-Crisis Russia

¶11. (U) Director of the National Economy Forecasting Institute Viktor Ivanter was open in his vision of Russia in the post-crisis period, arguing that "only devil knows how Russia will look like when the crisis is over." Ivanter pointed out that the Russian government took some proper steps and made correct statements on the crisis, but overall reacted too slowly. He argued that Russia needed to revise its fiscal policies, including continuing subsidies for the automobile industry. Russia's financial institutions want Western money so they can reinvest in to Western economies because they fear that money will be stolen in Russia, he argued. According to Ivanter, the sectors of the economy poised for economic growth were housing construction, aircraft and rail car construction, agriculture, the defense industry, and medicine.

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Excellent Future Will Not Be Ruined By Protests
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¶12. (SBU) As forum participants were leaving the conference center to go to lunch on September 8, a lone man protested outside by wearing a sandwich board that read "corrupted power kills me." Plainclothes individuals, presumably police, relieved the protestor of his placard and forced him to vacate the conference venue.

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Attendees Optimistic, but Have Heard It All Before
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¶13. (SBU) Many participants, including General Director of Regio Bank Sergey Grebeniuk, said they heard little that was new this year. Many of the proposed infrastructure improvements and calls for greater international cooperation were discussed at

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previous fora. Participants nevertheless seemed optimistic that the worst of the financial crisis was over and economic growth would improve their lives and business prospects.
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